



U.S. Small Business  
Administration

Current as of November 16, 2020

# Agenda

- **7(a) Loan Programs**
- **504 Loan Program**
- **Main Street Lending Program**
- **Q&A**



# 7(a) Loan Programs



# SBA Loan Programs

- The SBA guarantees loans through a lender to provide financing to small businesses. The agency doesn't lend money directly to small business owners; the business owners visit with a banking institution.
- SBA sets guidelines for all its loan programs offered by the lenders, community development financial Institutions, and SBA micro-lenders.
- The SBA guaranty reduces the risk to lenders and makes it easier for small businesses to access capital.

# 7(a) Guaranty Loan Program

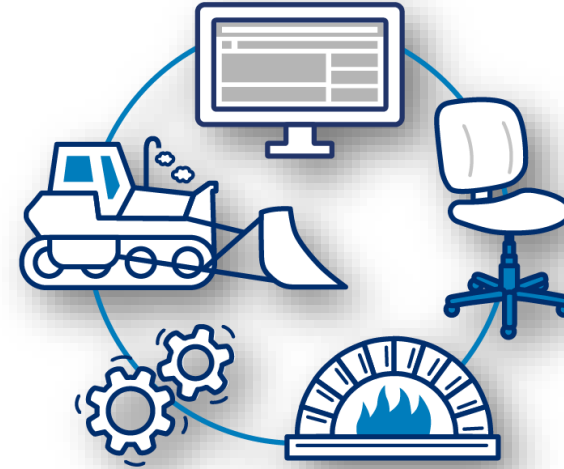
- The 7(a)-loan program is the SBA's primary program for providing financial assistance to small businesses. The terms and conditions, just like the guaranty percentage and loan amount, may vary by the type of loan.
- The SBA **guaranty** varies depending on the program loan type:
  - 75% and 85% (General 7a)
  - 50% (SBA Express)
  - 90%(Export)



# How Can an SBA-Guaranteed Loan Help You?



- Start or expand your business
- Use for leasehold improvements
- Working capital for operating expenses



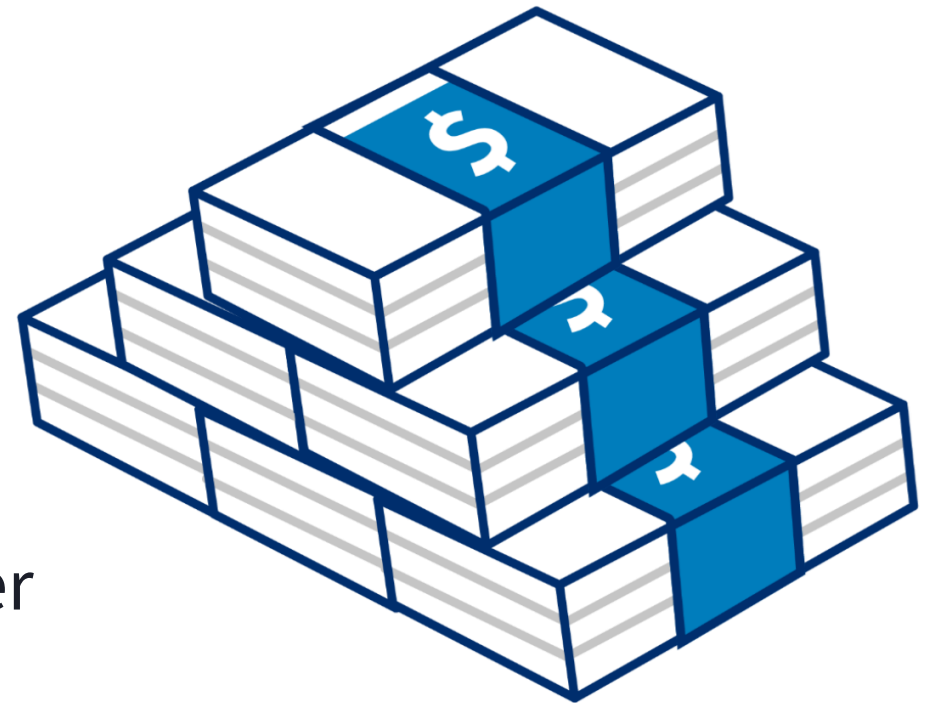
- To renovate your facility
- Purchase inventory, equipment, or machinery
- Purchase a building
- Export a product or service from the U.S.

# SBA 7(a) Loans

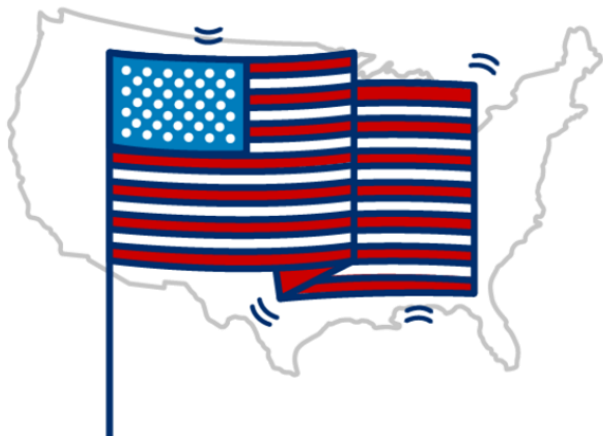
The SBA guarantees a percentage of a loan to a lender for a small business loan.

## Example:

- \$300,000 Loan Amount
- 75% Guaranty
- \$225,000 Guaranty Amount to the lender



# Requirements



- Must be small by SBA Standards
- Must be an Operating Business
- Be a For Profit organization
- Located in the U.S. and Owned by U.S. Citizens or Legal Permanent Residents (LPR)s and
- Demonstrate a Need for Credit



# Ineligible Type Businesses

- Non-profit organizations
- Speculative/Investment (e.g. apartments)
- Gambling
- Businesses engaged in illegal activities
- Adult businesses
- Businesses in foreign countries
- Life insurance companies, Pyramid sales
- Religious organizations
- Lending and finance businesses
- Previous loss on a government loan
- Government entities

# Microloan Program



- Mission-based lenders and nonprofits
- Microloans up to \$50,000
- Terms up to 5 years
- Interest rates negotiated by lender
- Lender Match available
  - [www.sba.gov/lendermatch](http://www.sba.gov/lendermatch)
- For equipment, inventory, working capital

# 504 Loan Program

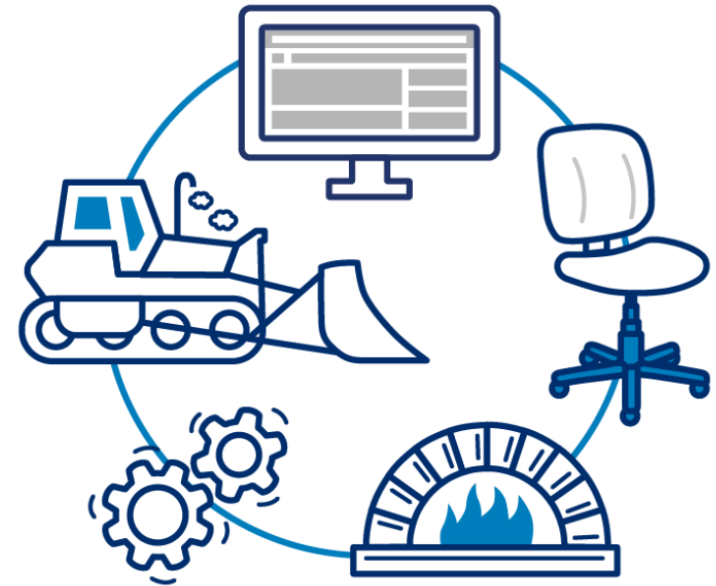


# SBA 504 Loan Program

- The 504 Loan Program provides approved small businesses with long-term, fixed-rate financing used to acquire fixed assets (land and building or equipment).
- 504 loans are made available through Certified Development Companies (CDCs), which are SBA's community-based partners.

# SBA 504 Loan Program

- **Maximum loan amount:**
  - **For CDC/SBA Portion:** \$5 million to \$5.5 million
- **Project costs:** financed by 504 Loan 40%
  - lender finances — 50%
  - equity finances 10-20%
- **Uses:** long-term; fixed assets
- **Maturity:** 10 - 25 years



# Use of 504 Proceeds

Purchase of  
Land and  
Building

Building  
Construction

Purchase of  
Machinery &  
Equipment



# Connect and Stay Informed



## EMAIL UPDATES

**NOVEMBER 16, 2020**  
MARK YOUR CALENDAR! Upcoming Events!

**NOVEMBER 13, 2020**  
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## Houston District Office

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8701 S. Gessner Drive  
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Houston, TX

**Phone:**  
713-773-6500

**Email:**  
[houston@sba.gov](mailto:houston@sba.gov)

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FEDERAL RESERVE SYSTEM

# Main Street Lending Program

## Overview of the Main Street Lending Program

November 16, 2020

Kenechukwu Anadu, Assistant Vice President  
Supervision, Regulation, and Credit  
Federal Reserve Bank of Boston

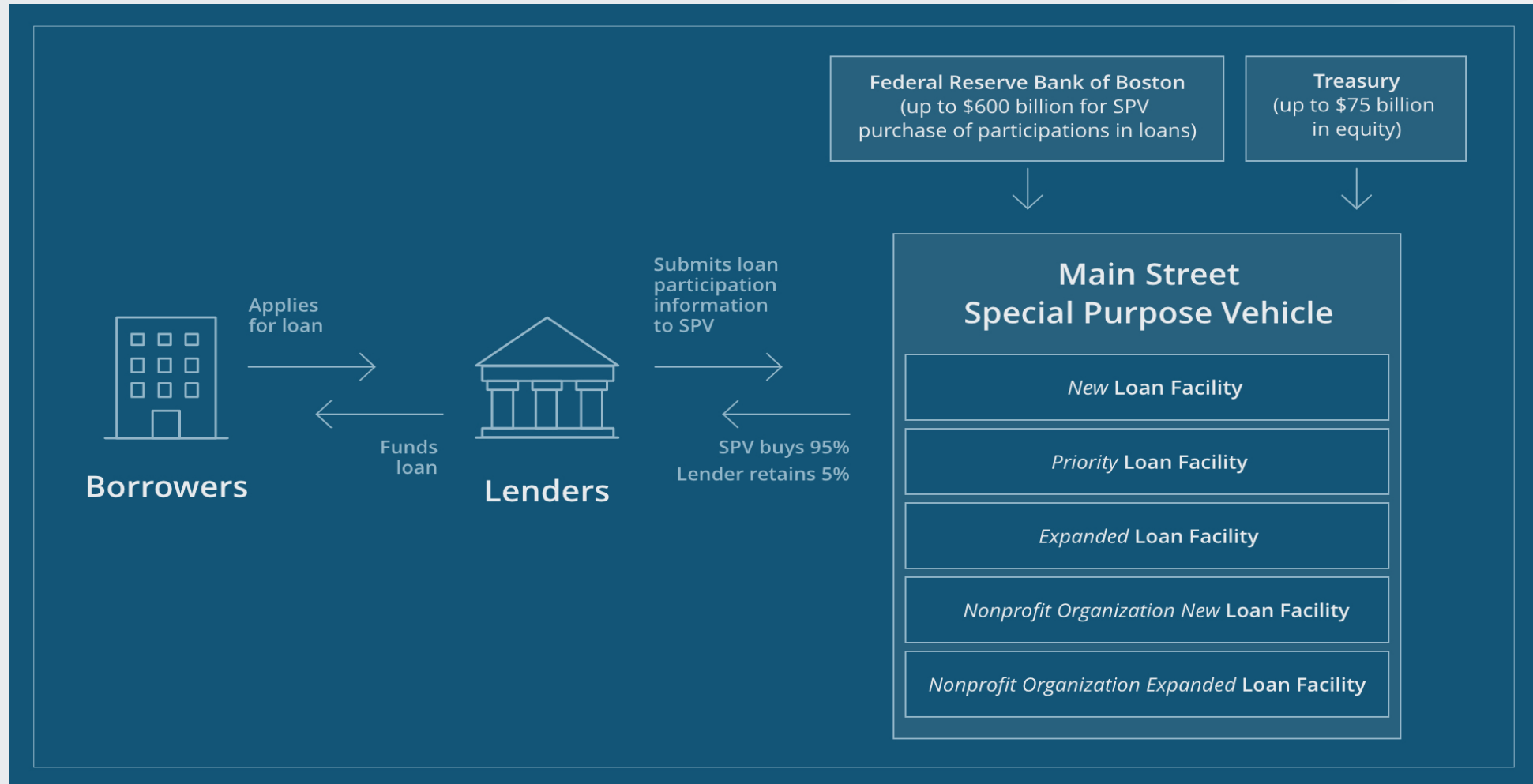
# Agenda for Today's Session

- ▷ Overview of the Main Street Lending Program (MSLP)
- ▷ Key Terms and Conditions
- ▷ Getting Started
- ▷ FAQs
- ▷ Additional Resources

# Overview of the MSLP

- ▷ The MSLP is designed to help credit flow to small- and medium-sized *for-profit* businesses and *nonprofit* organizations:
  - ▷ In sound financial condition before the pandemic shock to the economy
  - ▷ That now need loans to help maintain or bridge their operations and payroll
  - ▷ To help them recover from, or adapt to, the impacts of the pandemic.
- ▷ By providing additional lending capacity, the MSLP aims to enable as many sound for-profit businesses and nonprofit organizations as possible to retain operational capacity to support a quick economic recovery.
- ▷ The MSLP creates additional lending capacity through two important actions:
  - ▷ Sharing risk that would otherwise be absorbed solely by lenders
  - ▷ Creating additional balance sheet capacity for lenders to extend more loans

# Overview of the MSLP (continued)



# Key Terms and Conditions (T&C): Eligible Loans

- ▷ The MSLP operates through five facilities, each with different features to meet the needs of small- and medium-sized for-profit businesses and nonprofit organizations:
  - ▷ Three facilities for for-profit businesses
  - ▷ Two facilities for nonprofit organizations
- ▷ Loan terms are similar across the for-profit and non-profit facilities, with certain adjustments to reflect differences in operating models.
- ▷ MSLP loans are not grants and cannot be forgiven.



# Key T&C: Recent Program Updates

- ▷ On October 30, the Federal Reserve announced several changes to the terms to enable as many small- and medium-sized sound for-profit businesses and nonprofit organizations as possible to use the MSLP:
  - ▷ Lowered the minimum loan size for **MSNLF**, **MSPLF**, and **NONLF** loans from \$250,000 to \$100,000
  - ▷ Changed the fee structure for loans with a principal amount of less than \$250,000
- ▷ Program legal documents have been updated to reflect these changes, and the MSLP Portal is now accepting MSNLF, MSPLF, and NONLF loans with a principal amount of \$100,000 to \$250,000 in accordance with the updated terms.
- ▷ Updates to the [For-Profit Business FAQs](#) and [Nonprofit Organization FAQs](#) include:
  - ▷ Additional guidance on the term sheet changes (FAQs G.7 and G.9)
  - ▷ Exclusion of certain Paycheck Protection Program (PPP) loans from the calculation of “outstanding debt” (FAQ G.16)
  - ▷ Guidance from the National Indian Gaming Commission regarding the Main Street Lending Program (For-Profit FAQ K.8)

# Key T&C: Eligible Loans – For-Profit Businesses

	New Loan Facility	Priority Loan Facility	Expanded Loan Facility
1. Loan Term	5 years		
2. Interest Rate	Adjustable rate of LIBOR (1- or 3-month) + 300 basis points (bps)		
3. Interest Payments	Interest deferred for 1 year   unpaid interest will be capitalized		
4. Principal Payments	Principal deferred for 2 years. Years 3–5: 15%, 15%, 70%   <b>prepayment allowed without penalty</b>		
5. Lender Participation Rate	Lender will retain 5% of the loan (or upsized tranche of the loan for Expanded Loan Facility)		
6. Loan Size	\$100,000–\$35 million	\$100,000–\$50 million	\$10 million–\$300 million
7. Leverage Requirement	4 times debt to adjusted 2019 EBITDA	6 times debt to adjusted 2019 EBITDA	
8. Requirements for Priority and Security	Unsecured or secured loan; may not be contractually subordinated to other debt	Unsecured or secured loan that is senior to or pari passu with, in terms of priority or security, other debt	
9. Loan Fees	Transaction Fee <sup>1</sup> : 100 bps (if principal amount of Eligible Loan is $\geq$ \$250,000   Origination Fee <sup>2</sup> : 200 bps/100 bps		Transaction Fee <sup>1</sup> : 75 bps   Origination Fee <sup>2</sup> : 75 bps

(1) Eligible Lenders will pay the MSLP SPV a transaction fee **only if the principal amount of the Eligible Loan is \$250,000 or greater**. Eligible Lenders may pass on this transaction fee to the Eligible Borrower (see FAQ G.7).

(2) Eligible Borrowers will pay Eligible Lenders an origination fee; **the rate depends on the size of the initial Eligible Loan**. Eligible Lenders have discretion on whether and when to charge Eligible Borrowers this origination fee (see FAQ G.7)

Note: An Eligible Lender may charge an Eligible Borrower de minimis fees for services that are customary and necessary in the Eligible Lender's underwriting practices, including appraisal and legal fees. (See FAQ G.12.)

# Key T&C: Eligible Loans – Nonprofit Organizations

	Nonprofit New Loan Facility	Nonprofit Expanded Loan Facility
1. Loan Term	5 years	
2. Interest Rate	Adjustable rate of LIBOR (1- or 3-month) + 300 basis points (bps)	
3. Interest Payments	Interest deferred for 1 year   unpaid interest will be capitalized	
4. Principal Payments	Principal deferred for 2 years. Years 3–5: 15%, 15%, 70%   <b>prepayment allowed without penalty</b>	
5. Lender Participation Rate	Lender will retain 5% of the loan (or upsized tranche of the loan for Expanded Loan Facility)	
6. Loan Size	\$100,000–\$35 million	\$10 million–\$300 million
7. Maximum Loan Size	The lesser of \$35 million or the borrower’s average 2019 quarterly revenue	The lesser of \$300 million or the borrower’s average 2019 quarterly revenue
8. Requirements for Priority and Security	Unsecured or secured loan; may not be contractually subordinated to other debt	Unsecured or secured loan that is senior to or pari passu with, in terms of priority or security, other debt
8. Loan Fees	Transaction Fee <sup>1</sup> : 100 bps (if principal amount of Eligible Loan is $\geq$ \$250,000   Origination Fee <sup>2</sup> : 200 bps/100 bps	Transaction Fee <sup>1</sup> : 75 bps   Origination Fee <sup>2</sup> : 75 bps

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Note: An Eligible Lender may charge an Eligible Borrower de minimis fees for services that are customary and necessary in the Eligible Lender’s underwriting practices, including appraisal and legal fees. (See FAQ G.12.)

## Key T&C: Eligible Lenders

- ▷ U.S. federally insured depository institutions (including banks, savings associations, and credit unions)
- ▷ U.S. bank holding companies and savings and loan holding companies
- ▷ U.S. branches or agencies of foreign banks
- ▷ U.S. intermediate holding companies of foreign banking organizations
- ▷ Any U.S. subsidiary of any of the above-mentioned institutions

# Key T&C: Eligible Borrowers

Small- and Medium-Sized For-profit Businesses	Small- and Medium-Sized Nonprofit Organizations
U.S. business established prior to March 13, 2020	U.S. tax-exempt nonprofit or veterans' organization (described in section 501(c)(3) and (c)(19), respectively, of the Internal Revenue Code) in continuous operation since January 1, 2015
Must not be an Ineligible Business as modified and clarified by SBA regulations for purposes of the PPP (see <a href="#">term sheets</a> and <a href="#">FAQ E.1 and E.13</a> for details)	Must not be an Ineligible Business as modified and clarified by SBA regulations for purposes of the PPP (see <a href="#">term sheets</a> and <a href="#">FAQ E.1 and E.13</a> for details)
Have up to 15,000 employees <u>or</u> up to \$5 billion in 2019 annual revenue	<ul style="list-style-type: none"> <li>• Have up to 15,000 employees <u>or</u> up to \$5 billion in 2019 annual revenue</li> <li>• Have at least 10 employees</li> </ul>
Must meet the financial criteria described in the term sheets	Have an endowment of less than \$3 billion Must meet the financial criteria described in the term sheets

# Key T&C: Borrower Conditions and Certifications

- ▷ Borrowers may participate in only one MSLP facility.
- ▷ Borrowers participating in an MSLP facility may not also participate in the Corporate Credit Facilities or the Municipal Liquidity Facility (nonprofit organizations only).
- ▷ Borrowers that have received loans or funds under the Paycheck Protection Plan (PPP) and Economic Injury Disaster Loan programs may also participate in the MSLP
- ▷ Lenders require certain information from borrowers at the time of application and periodically throughout the life of the loan, such as:
  - ▷ General identifying information (e.g., borrower name, address, tax ID number, etc.)
  - ▷ Financial data (e.g., assets, liabilities, revenue, expenses, debt, dividend/equity distributions, etc.)
  - ▷ Collateral information, if applicable (e.g., type, value, etc.)

(See Appendix C of the [Program FAQs](#) for a complete listing of required data reporting and timeline.)



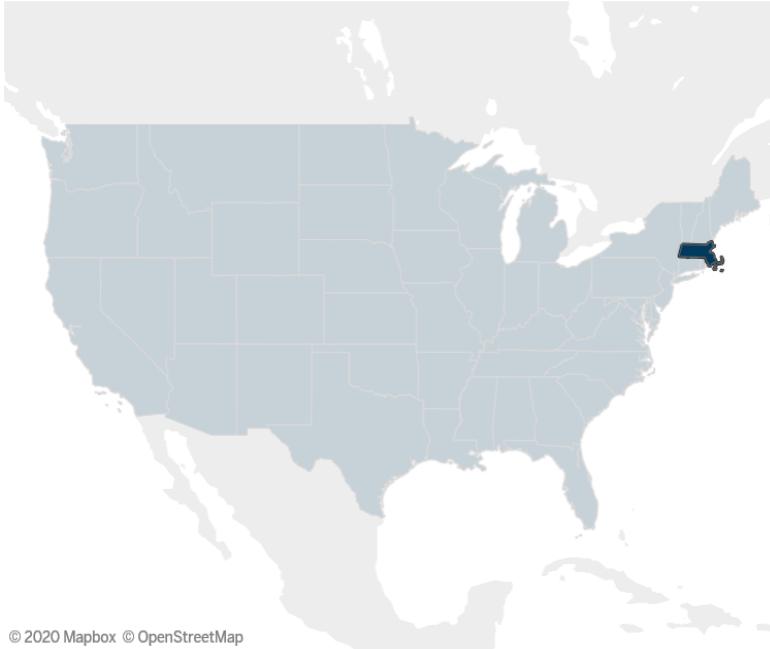
# Getting Started

- ▷ Interested businesses and organizations should start by reviewing the MSLP requirements and contacting a lender to discuss applying for a MSLP loan that meets their needs.
- ▷ Borrowers must complete required MSLP documentation, as well as the lender's loan documentation.
- ▷ Lenders apply their own underwriting standards in evaluating the financial condition and creditworthiness of borrowers.
- ▷ Lenders determine whether borrowers are approved for an MSLP loan.

## Getting Started (continued)

Borrowers can also view a state-by-state listing of lenders participating in the Main Street Lending Program who are currently accepting applications from new customers by viewing the [interactive map](#) on the MSLP website.

Select your State



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AlaskaHawaiiDistrict of ColumbiaPuerto Rico & U.S. Virgin Islands

Select a Lender

BANK OF AMERICA	Businesses ✓   Nonprofits ✓	^
CITIZENS BANK	Businesses ✓   Nonprofits ✓	
ENVISION BANK	Businesses ✓   Nonprofits ✓	
FALL RIVER FIVE CENTS	Businesses ✓   Nonprofits ✓	v

# FAQs

- ▷ Are there any prohibitions on the use of MSLP loans?
- ▷ Are lenders expected to be more lenient when making MSLP loans than loans evaluated and made pre-COVID?
- ▷ What is the expectation for exit strategy at the end of the loan with a 70% balloon payment due? Is the Federal Reserve willing to refinance the balance with the bank?
- ▷ What is the difference between the Main Street New Loan Facility and the Main Street Priority Loan Facility? Both seem identical, yet the Priority Loan Facility allows 6x leverage.
- ▷ What if a borrower does not yet have 2019 financial statements?

## Additional Resources

- ▷ MSLP information, term sheets, FAQs, and other recorded sessions are located on the [Main Street Lending Program website \(www.bostonfed.org/mslp\)](https://www.bostonfed.org/mslp).
- ▷ [Sign up](#) to receive email alerts for Program updates.
- ▷ Submit inquiries to [MSLP@bos.frb.org](mailto:MSLP@bos.frb.org).



Q & A